

**TOWNSHIP OF ADAMS**  
**HOUGHTON COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL FINANCIAL INFORMATION**

**March 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>ADAMS TOWNSHIP</b>	County <b>HOUGHTON</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>5/27/04</b>	Date Accountant Report Submitted to State: <b>8/12/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BRUCE A. RUKKILA, CPA, PC</b>			
Street Address <b>310 SHELDEN AVENUE</b>		City <b>HOUGHTON</b>	State <b>MI</b>
Accountant Signature <i>Debbie Bradford</i>		ZIP <b>49931</b>	Date <b>8/12/04</b>

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the accompanying general purpose financial statements of the Township of Adams, as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Adams, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2004 on our consideration of the Township of Adams' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of the Township of Adams. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Bruce A. Rukkila, CPA, PC*  
Certified Public Accountants

May 27, 2004



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the financial statements of the Township of Adams as of and for the year ended March 31, 2004, and have issued our report thereon dated May 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance:**

As part of obtaining reasonable assurance about whether the Township of Adams' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the Township of Adams' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

May 27, 2004

**TOWNSHIP OF ADAMS**  
**COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS**  
**March 31, 2004**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		TOTALS (Memorandum Only)	
	Special		Debt Service	Enterprise	Agency	General Fixed Assets	Long-Term Obligations	2004	2003
	General	Revenue							
ASSETS AND OTHER DEBITS:									
Cash	\$ 304,967	\$ -	\$ -	\$ 547,176	\$ 20,715	\$ -	\$ -	\$ 872,858	\$ 791,865
Accounts receivable	163	-	-	45,552	-	-	-	45,715	51,979
Taxes receivable	13,772	4,252	3,000	-	-	-	-	21,024	19,204
Special assessments	-	-	-	17,653	-	-	-	17,653	15,618
Inventory	424	-	-	5,946	-	-	-	6,370	6,370
Due from other funds	202,143	4,700	-	30,159	-	-	-	237,002	169,898
Prepaid expenses	7,046	-	-	62	-	-	-	7,108	7,999
Prepaid insurance	-	-	-	13,429	-	-	-	13,429	16,254
Restricted assets:									
Cash	-	-	-	748,078	-	-	-	748,078	729,416
Fixed assets	-	-	-	11,923,758	-	725,632	-	12,649,390	12,540,489
Accumulated depreciation	-	-	-	(2,566,915)	-	-	-	(2,566,915)	(2,330,295)
Amount to be provided for retirement: of general long-term debt	-	-	-	-	-	-	66,636	66,636	79,565
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 528,515</b>	<b>\$ 8,952</b>	<b>\$ 3,000</b>	<b>\$10,764,898</b>	<b>\$ 20,715</b>	<b>\$ 725,632</b>	<b>\$ 66,636</b>	<b>\$12,118,348</b>	<b>\$12,098,362</b>
LIABILITIES:									
Accounts payable	\$ 7,843	\$ -	\$ -	\$ 33,489	\$ -	\$ -	\$ -	\$ 41,332	\$ 30,824
Due to other funds	16,594	-	7,326	210,634	2,448	-	-	237,002	169,898
Accrued vacation/sick pay	-	-	-	-	-	-	6,636	6,636	4,565
Current maturities on bond payable	-	-	-	26,000	-	-	10,000	36,000	26,000
Bonds payable - net of current maturities	-	-	-	2,723,000	-	-	50,000	2,773,000	2,824,000
Due to other governmental units	-	-	-	-	18,267	-	-	18,267	846
Accrued expenses	6,247	-	-	28,020	-	-	-	34,267	30,781
Deferred revenue	13,772	4,252	3,000	1,557	-	-	-	22,581	20,761
<b>TOTAL LIABILITIES</b>	<b>44,456</b>	<b>4,252</b>	<b>10,326</b>	<b>3,022,700</b>	<b>20,715</b>	<b>-</b>	<b>66,636</b>	<b>3,169,085</b>	<b>3,107,675</b>

FUND EQUITY AND OTHER CREDITS:

Contributed capital

Retained earnings:

Reserved

Unreserved

Investment in general fixed assets

Fund balance:

Reserved

Unreserved

TOTAL FUND EQUITY AND OTHER CREDITS

TOTAL LIABILITIES, FUND EQUITY

AND OTHER CREDITS

	-	-	-	5,785,611	-	-	-	5,785,611	5,916,364
	-	-	-	597,287	-	-	-	597,287	570,951
	-	-	-	1,359,300	-	-	-	1,359,300	1,338,414
	-	-	-	-	-	725,632	-	725,632	709,816
	-	-	(7,326)	-	-	-	-	(7,326)	4,512
484,059	4,700	-	-	-	-	-	-	488,759	450,630
484,059	4,700	(7,326)	7,742,198	-	725,632	-	-	8,949,263	8,990,687
\$ 528,515	\$ 8,952	\$ 3,000	\$10,764,898	\$ 20,715	\$ 725,632	\$ 66,636	\$12,118,348	\$12,098,362	

The accompanying notes to financial statements are an integral part of this statement.



**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUND TYPES**  
**Year Ended March 31, 2004**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	2004	2003
<b>REVENUES:</b>					
Taxes	\$ 44,748	\$ 21,128	\$ -	\$ 65,876	\$ 48,865
Tax special assessment	-	-	8,000	8,000	5,000
State	140,569	-	-	140,569	155,575
Charges for services	25,276	-	-	25,276	19,557
Interest	2,858	-	-	2,858	4,050
Other	36,449	-	-	36,449	10,597
<b>TOTAL REVENUES</b>	<b>249,900</b>	<b>21,128</b>	<b>8,000</b>	<b>279,028</b>	<b>243,644</b>
<b>EXPENDITURES:</b>					
Assessor	8,505	-	-	8,505	8,624
Supervisor	5,637	-	-	5,637	5,592
Clerk	7,065	-	-	7,065	6,543
Treasurer/Accounting	18,421	-	-	18,421	14,458
General services	9,840	-	-	9,840	11,379
Township Board	8,166	-	-	8,166	5,717
Cemetery	13,500	-	-	13,500	14,683
Public Works	34,423	-	-	34,423	37,425
Other activities	23,588	-	-	23,588	19,336
Recreation	6,013	-	-	6,013	2,469
Library	6,548	-	-	6,548	7,302
Constable	910	-	-	910	770
Elections	90	-	-	90	4,709
Maintenance buildings	52,164	-	-	52,164	33,548
Fire protection	13,054	19,996	-	33,050	32,685
Bond payments	-	-	15,000	15,000	-
Interest payments	-	-	4,838	4,838	1,688
<b>TOTAL EXPENDITURES</b>	<b>207,924</b>	<b>19,996</b>	<b>19,838</b>	<b>247,758</b>	<b>206,928</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>41,976</b>	<b>1,132</b>	<b>(11,838)</b>	<b>31,270</b>	<b>36,716</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer in (out)	(4,977)	-	-	(4,977)	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>36,999</b>	<b>1,132</b>	<b>(11,838)</b>	<b>26,293</b>	<b>36,716</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>447,060</b>	<b>3,568</b>	<b>4,512</b>	<b>455,140</b>	<b>418,424</b>
<b>FUND BALANCE(DEFICIT), END OF YEAR</b>	<b>\$ 484,059</b>	<b>\$ 4,700</b>	<b>\$ (7,326)</b>	<b>\$ 481,433</b>	<b>\$ 455,140</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND AND SPECIAL REVENUE**  
**Year Ended March 31, 2004**

	General			Special Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:						
Taxes	\$ 47,320	\$ 44,748	\$ (2,572)	\$ -	\$ 21,128	\$ 21,128
Tax special assessment	26,300	-	(26,300)	-	-	-
State	136,000	140,569	4,569	-	-	-
Charges for services	24,000	25,276	1,276	-	-	-
Interest	2,700	2,858	158	-	-	-
Other	29,240	36,449	7,209	-	-	-
TOTAL REVENUES	265,560	249,900	(15,660)	-	21,128	21,128
EXPENDITURES:						
Assessor	8,700	8,505	195	-	-	-
Supervisor	5,960	5,637	323	-	-	-
Clerk	7,790	7,065	725	-	-	-
Treasurer/Accounting	19,450	18,421	1,029	-	-	-
General services	63,000	9,840	53,160	-	-	-
Township Board	11,830	8,166	3,664	-	-	-
Cemetery	17,450	13,500	3,950	-	-	-
Public Works	40,300	34,423	5,877	-	-	-
Other activities	29,675	23,588	6,087	-	-	-
Recreation	7,700	6,013	1,687	-	-	-
Library	8,050	6,548	1,502	-	-	-
Constable	840	910	(70)	-	-	-
Elections	1,750	90	1,660	-	-	-
Maintenance buildings	55,200	52,164	3,036	-	-	-
Fire protection	36,150	13,054	23,096	-	19,996	(19,996)
TOTAL EXPENDITURES	313,845	207,924	105,921	-	19,996	(19,996)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,285)	41,976	90,261	-	1,132	1,132
OTHER FINANCING SOURCES (USES):						
Transfer in (out)	-	(4,977)	(4,977)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (48,285)	36,999	\$ 85,284	\$ -	1,132	\$ 1,132
FUND BALANCE, BEGINNING OF YEAR		447,060			3,568	
FUND BALANCE(DEFICIT), END OF YEAR		\$ 484,059			\$ 4,700	

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended March 31, 2004**

		Totals (Memorandum Only)	
	Enterprise	2004	2003
OPERATING REVENUES:			
Charges for services	\$ 483,810	\$ 483,810	\$ 477,326
Special assessment	42,640	42,640	21,770
Special assessment - operation & maintenance	33,648	33,648	35,510
Special assessment - debt retirement	53,878	53,878	54,008
Other	5,098	5,098	22,098
TOTAL OPERATING REVENUES	619,074	619,074	610,712
EXPENSES			
Rentals	-	-	-
Salaries	-	-	-
Fees	78,114	78,114	77,713
Payroll taxes	775	775	1,440
Employee benefits	8,122	8,122	8,045
Supplies	19,836	19,836	21,778
Office supplies	39,482	39,482	38,543
Utilities	3,556	3,556	3,156
Insurance	95,904	95,904	91,722
Travel expenses	29,762	29,762	18,832
Repairs and maintenance	534	534	493
Professional services	8,943	8,943	18,486
Contract labor	4,659	4,659	1,642
Depreciation	7,417	7,417	8,017
Refunds	236,619	236,619	204,358
Miscellaneous	1,760	1,760	-
Engineering services	733	733	393
Professional Services	52,242	52,242	30,354
	200	200	210
TOTAL EXPENSES	588,658	588,658	525,182
OPERATING INCOME (LOSS)	30,416	30,416	85,530
NON-OPERATING REVENUES (EXPENSES):			
Transfer in (out)	4,977	4,977	-
Interest income	9,609	9,609	18,835
Interest expense	(141,933)	(141,933)	(149,433)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(127,347)	(127,347)	(130,598)
NET INCOME (LOSS)	(96,931)	(96,931)	(45,068)
RETAINED EARNINGS, BEGINNING OF YEAR	1,909,364	1,909,364	1,833,791
ADJUSTMENTS TO FUND EQUITY:			
Depreciation on Contributed Capital	144,154	144,154	120,641
RETAINED EARNINGS, END OF YEAR	\$ 1,956,587	\$ 1,956,587	\$ 1,909,364

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended March 31, 2004**

	Totals (Memorandum Only)	
	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 30,416	\$ 85,518
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	236,619	204,358
Transfer In (Out)	4,977	0
(Increase) Decrease in accounts receivable	4,229	(9,211)
(Increase) Decrease in prepaid expenses	2,875	(933)
(Increase) Decrease in due from other funds	(10,909)	(1,880)
Increase (Decrease) in accounts payable	9,545	(21,006)
Increase (Decrease) in retainage payable	0	(28,211)
Increase (Decrease) in due to other funds	52,725	37,002
Increase (Decrease) in accrued expenses	2,413	(5,071)
Increase (Decrease) in deferred revenue	0	(640)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>332,890</u>	<u>259,926</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Grant income	0	2,872,600
Bond proceeds	0	124,000
Reductions of long-term debt	(26,000)	(275,000)
Interest paid on long-term debt	(141,933)	(149,433)
Purchase of fixed assets	(79,684)	(3,027,573)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(247,617)</u>	<u>(455,406)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments and deposits	9,609	18,835
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	94,882	(176,645)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>1,200,372</u>	<u>1,377,017</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,295,254</u>	<u>\$ 1,200,372</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

The Township was organized on March 19, 1867 and covers an area of approximately 47.5 square miles. The Township operates under an elected board of five members. In accordance with NCGA Statements 3 and 7, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Adams conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**THE FINANCIAL REPORTING ENTITY**

As required by generally accepted accounting principles, the financial statements of the Township of Adams contain all of the Township's funds. There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. Control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

**FUND ACCOUNTING**

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund types and four generic funds as follows:

**GOVERNMENTAL FUND TYPES**

**General Fund** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Fire Protection Fund is the Township's only Special Revenue Fund.

TOWNSHIP OF ADAMS  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise Funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

FIDUCIARY FUND TYPE

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. A public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are not "funds." Their purpose is related only to the measurement of financial position. They are not involved with measurement of results of operations.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Operating statements of proprietary fund types present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method and the following estimated useful lives:

Utility Plant	10-20 years
Water & Sewer Systems	10-20 years
Buildings	10-20 years
Machinery and Equipment	5-10 years

**BASIS OF ACCOUNTING**

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types and Agency Funds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETARY DATA**

The Township follows these procedures in establishing the budgetary data:

- a. Each January, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following March 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in March.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

**PROPERTY TAXES**

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without a penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied to the extent that they are measurable and available.

The Township collects its own property taxes, and also collects property taxes for the County and School District within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2003 taxable valuation of the Township of Adams amounted to \$27,273,249 on which ad valorem taxes of \$35,152 were levied for Township operating purposes (1.2889 mills) and \$8,652 for Township lights and \$22,640 for Township hydrants. These amounts are recorded as revenue on the Township's records in and for the fiscal year ending March 31, 2004.



**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS**

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

**CASH AND INVESTMENTS**

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits and savings accounts.

**INVENTORY**

Inventory is valued at cost as determined on the first-in, first-out method for the Water and Sewer Funds. Inventory consists of expendable supplies and materials which are accounted for under the consumption method and accordingly are recorded as expenditures when they are used.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ENCUMBRANCES**

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**NOTE B - CASH AND INVESTMENTS**

**CASH DEPOSITS**

At March 31, 2004, the book value of the Township's demand deposits, consisting primarily of certificates of deposit and other cash equivalents, was \$1,620,936 with a corresponding bank balance of \$1,617,515. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$1,359,483 representing approximately 84% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$1,359,483 was insured and \$258,032 was neither insured nor collateralized.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE C - INTER-FUND RECEIVABLES AND PAYABLES**

The amounts of inter-fund receivables and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 202,143	Trimountain Sewer	\$ 94,113
		Painesdale Sewer	81,618
		Atlantic Mine Sewer	8,465
		Retail Water	8,218
		Debt Service	7,326
		Tax Collection Funds	2,403
Sub-total	<u>202,143</u>	Sub-total	<u>202,143</u>
Trimountain	<u>8,063</u>	General	<u>8,063</u>
Retail Water	11,395	Atlantic Sewer	10,285
		General	1,065
		Tax Collection Fund	45
Sub-total	<u>11,395</u>	Sub-total	<u>11,395</u>
Fire Protection	<u>4,700</u>	General	<u>4,700</u>
Wholesale Water	10,701	Retail Water	7,935
		General	2,766
Sub-total	<u>10,701</u>	Sub-total	<u>10,701</u>
TOTALS	<u>\$ 237,002</u>	TOTALS	<u>\$ 237,002</u>

**NOTE D - PROPERTY, PLANT, AND EQUIPMENT**

A summary of the changes in the general fixed assets account groups is as follows:

	Balance 3/31/03	Additions	Deletions	Balance 3/31/04
Land	\$ 8,810	\$ 0	\$ 0	\$ 8,810
Land Improvements	126,227	0	0	126,227
Buildings	232,932	0	0	232,932
Building Improvements	174,973	7,405	0	182,378
Equipment	166,873	8,411	0	175,284
TOTALS	<u>\$ 709,815</u>	<u>\$ 15,816</u>	<u>\$ 0</u>	<u>\$ 725,631</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE E - WATER AND SEWER FUND FIXED ASSETS**

Changes in the Water and Sewer Funds Fixed Assets in 2004 are as follows:

	Balance 3/31/03	Additions	Deletions	Balance 3/31/04
Atlantic Sewer Fund	\$ 3,689,721	\$ 0	\$ 0	\$ 3,689,721
Wholesale Water Fund	2,628,923	23,549	0	2,652,472
Retail Water Fund	1,677,865	24,864	0	1,702,729
Painesdale Sewer Fund	3,834,164	3,849,000	3,804,328	3,878,836
<b>TOTALS</b>	<b>\$ 11,830,673</b>	<b>\$ 3,897,413</b>	<b>\$ 3,804,328</b>	<b>\$ 11,923,758</b>

**NOTE F - LONG-TERM DEBT**

Sewage Disposal Bond

Sewage Disposal System revenue bonds were issued in 1995 in the amount of \$661,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 1997. The payment schedule for the bond is as follows:

**SEWAGE DISPOSAL SYSTEM FUND**  
**SCHEDULE OF SEWAGE DISPOSAL SYSTEM REVENUE BONDS**  
**March 31, 2004**

Fiscal Year	April 1 Interest	October 1 Interest	October 1 Principal	Total
2004-05	\$ 14,351	\$ 14,351	\$ 6,000	\$ 34,702
2005-06	14,136	14,215	6,000	34,351
2006-07	14,000	14,078	8,000	36,078
2007-08	13,819	13,895	10,000	37,714
2008-09	13,667	13,667	11,000	38,334
2009-10	13,342	13,416	11,000	37,758
2010-11	13,092	13,165	12,000	38,257
2011-12	12,820	12,891	12,000	37,711
2012-13	12,618	12,618	13,000	38,236
2013-18	58,060	58,320	75,000	191,380
2018-23	48,725	48,942	95,000	192,667
2023-28	36,894	37,054	119,000	192,948
2028-33	22,149	22,223	147,000	191,372
2033-38	4,765	4,791	104,000	113,556
<b>TOTAL</b>	<b>\$ 292,438</b>	<b>\$ 293,626</b>	<b>\$ 629,000</b>	<b>\$ 1,215,064</b>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2004**

**NOTE F - LONG-TERM DEBT (Continued)**

Water Supply System Bonds

Water Supply System revenue bonds were issued in 1992 in the amount of \$1,553,000 for the purpose of acquiring and constructing the Township's Water Supply System. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Water Supply System. The bond bears an interest rate not to exceed 5.75% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after June 1, 1993. The payment schedule for the bond is as follows:

WATER SUPPLY SYSTEM FUND  
SCHEDULE OF WATER SUPPLY  
SYSTEM REVENUE BONDS

March 31, 2004

Fiscal Year	June 1 Interest	December 1 Interest	June 1 Principal	Total
2004-05	\$ 35,680	\$ 35,066	\$ 21,000	\$ 91,746
2005-06	34,872	34,423	22,000	91,295
2006-07	34,232	33,750	23,000	90,982
2007-08	33,563	33,019	25,000	91,582
2008-09	33,019	32,258	26,000	91,277
2009-10	32,080	31,439	28,000	91,519
2010-11	31,265	30,591	29,000	90,856
2011-12	30,422	29,685	31,000	91,107
2012-13	29,685	28,720	33,000	91,405
2013-18	132,181	127,074	195,000	454,255
2018-23	100,480	93,441	256,000	449,921
2023-28	58,739	49,075	339,000	446,814
2028-33	9,686	4,095	192,000	205,781
<b>TOTAL</b>	<b>\$ 595,904</b>	<b>\$ 562,636</b>	<b>\$ 1,220,000</b>	<b>\$ 2,378,540</b>

Sewage Disposal System (Painesdale) Bond

Sewage Disposal System (Painesdale) revenue bond was issued in 2001 in the amount of \$918,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system serving the Painesdale area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE F - LONG-TERM DEBT (Continued)**

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 2002.

**SEWAGE DISPOSAL SYSTEM (PAINESDALE)**  
**SCHEDULE OF SEWAGE DISPOSAL**  
**SYSTEM REVENUE BONDS**  
**March 31, 2004**

<u>Fiscal Year</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>October 1 Principal</u>	<u>Total</u>
2004-05	\$ 20,441	\$ 20,441	\$ 9,000	\$ 49,882
2005-06	20,236	20,236	10,000	50,472
2006-07	20,009	20,009	10,000	50,018
2007-08	19,782	19,782	11,000	50,564
2008-09	19,532	19,532	11,000	50,064
2009-10	19,282	19,282	12,000	50,564
2010-11	19,010	19,010	12,000	50,020
2011-12	18,737	18,737	13,000	50,474
2012-13	18,442	18,442	13,000	49,884
2013-18	87,396	87,396	77,000	251,792
2018-23	77,902	77,902	95,000	250,804
2023-28	65,978	65,978	120,000	251,956
2028-33	51,147	51,147	148,000	250,294
2033-38	32,727	32,727	185,000	250,454
2038-42	9,903	9,903	174,000	193,806
<b>TOTAL</b>	<b>\$ 500,524</b>	<b>\$ 500,524</b>	<b>\$ 900,000</b>	<b>\$ 1,901,048</b>

**2001 Special Assessment Bonds**

Special assessment bonds were issued in 2001 in the amount of \$80,000 for the purpose of defraying part of the cost of road improvements to Spring Brook Lane Road in the Township. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate of 4.5% per annum.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE F - LONG-TERM DEBT (Continued)**

Bonds maturing in the years 2007 and thereafter, are subject to redemption prior to maturity, in any order of maturity and by lot within any maturity, at the option of the Township on any interest payment date after April 1, 2006, at par and accrued interest to the date fixed for redemption. The payment schedule for the bonds is as follows:

**LONG-TERM DEBT**  
**SCHEDULE OF SPECIAL ASSESSMENT BONDS**  
**March 31, 2004**

Fiscal Year	April 1 Interest	October 1 Interest	April 1 Principal	Total
2004-05	\$ 1,350	\$ 1,125	\$ 10,000	\$ 12,475
2005-06	1,125	1,013	5,000	7,138
2006-07	1,013	788	10,000	11,801
2007-08	788	563	10,000	11,351
2008-09	563	450	5,000	6,013
2009-10	450	225	10,000	10,675
2010-11	225	-	10,000	10,225
<b>TOTALS</b>	<b>\$ 5,514</b>	<b>\$ 4,164</b>	<b>\$ 60,000</b>	<b>\$ 69,678</b>

**SUMMARY SCHEDULE OF LONG-TERM DEBT**  
**March 31, 2004**

Fiscal Year	Interest	Principle	Total
2004-05	\$ 143,255	\$ 36,000	\$ 179,255
2005-06	140,593	48,000	188,593
2006-07	138,216	46,000	184,216
2007-08	135,661	56,000	191,661
2008-09	133,026	58,000	191,026
2009-10	129,854	56,000	185,854
2010-11	126,808	63,000	189,808
2011-12	123,517	66,000	189,517
2012-13	120,525	59,000	179,525
2013-18	550,427	347,000	897,427
2018-23	447,392	446,000	893,392
2023-28	313,718	578,000	891,718
2028-33	160,447	487,000	647,447
2033-38	75,010	289,000	364,010
2038-42	19,806	174,000	193,806
<b>TOTALS</b>	<b>\$ 2,758,255</b>	<b>\$ 2,809,000</b>	<b>\$ 5,567,255</b>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE F - LONG-TERM DEBT (Continued)**

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2004:

	Balance 3/31/03	Additions	Reductions	Balance 3/31/04
Enterprise				
Sewage Disposal	\$ 634,000	\$ 0	\$ 5,000	\$ 629,000
Water Supply	1,232,000	0	12,000	1,220,000
Painesdale Sewage	909,000	0	9,000	900,000
Total Enterprise	2,775,000	0	26,000	2,749,000
General Long-Term Debt Account Group	75,000	0	15,000	60,000
Total	\$ 2,850,000	\$ 0	\$ 41,000	\$ 2,809,000

**NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS**

The 1992 Water Supply System Revenue Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2004, there was \$73,040 in the Bond Reserve account which is in compliance with bond requirements.

The 1995 Sewage System Revenue Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2004, there was \$78,747 in the Bond Reserve account which is in compliance with bond requirements.

The 2001 Sewage Disposal System (Painesdale) Revenue Bond requires that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2004, there was \$12,816 in the Bond Reserve account which is in compliance with bond requirements.

**NOTE H - DEFERRED REVENUE**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of March 31, 2004:

Fund	Property Taxes	Special Assessments	Total
General Fund	\$ 13,772	\$ -	\$ 13,772
Fire Protection Fund	-	4,252	4,252
Retail Water Fund	1,557	-	1,557
Debt Service	-	3,000	3,000
TOTAL	\$ 15,329	\$ 7,252	\$ 22,581

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintained six Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2004 is as follows:

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer
Operating Revenues	\$9,360	\$108,126	\$12,680
Depreciation	\$0	\$39,777	\$0
Operating Income (Loss)	\$9,312	\$62,676	\$(41,393)
Non-operating Revenue (Expense)	\$292	\$(39,252)	\$342
Net Income (Loss)	\$9,604	\$23,424	\$(41,051)
Property, Plant & Equipment Additions	\$0	\$3,849,000	\$0
Net Working Capital (Deficit)	\$71,861	\$110,182	\$(2,065)
Total Assets	\$71,861	\$4,046,830	\$100,111
Total Equity	\$71,861	\$3,058,023	\$(2,065)

  

	Atlantic Mine Sewer	Wholesale Water	Retail Water
Operating Revenues	\$75,798	\$279,825	\$133,285
Depreciation	\$104,768	\$56,202	\$35,872
Operating Income (Loss)	\$(51,775)	\$87,392	\$(35,797)
Non-operating Revenue (Expense)	\$(22,802)	\$(68,199)	\$2,272
Net Income (Loss)	\$(74,577)	\$19,193	\$(33,525)
Property, Plant & Equipment Additions	\$0	\$23,549	\$24,864
Net Working Capital (Deficit)	\$(8,019)	\$112,260	\$76,058
Total Assets	\$3,166,536	\$2,130,039	\$1,249,521
Total Equity	\$2,518,439	\$877,918	\$1,218,022

**NOTE J - ACCUMULATED UNPAID SICK LEAVE AND COMPENSATORY TIME**

Township employees accumulate sick leave days monthly at a rate of one day per month. The employees will be compensated, upon retirement, at the rate of half pay for accumulated sick leave days. The maximum sick leave accrual is ninety (90) days. Accumulated unpaid sick leave at March 31, 2004 was \$6,636.

**NOTE K - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2004**

**NOTE L - DEFINED CONTRIBUTION PLAN**

The Township is a member of the Manulife Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees working forty hours or more per week and elected Township officials are eligible to participate from their date of employment. The Township policy requires contributions of 75% from the Township and 25% from the employee/official's compensation. Voluntary contributions may be made up to a maximum of 10% of annual compensation. Township contributions for each employee and interest allocated to the employee's account are fully vested. Any amounts contributed voluntarily by the employee, under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The Township made contributions in the amount of \$3,939 for the fiscal year ending March 31, 2004.

**NOTE M - BUDGET OVER EXPENDITURES**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund - Constable	\$840	\$910	(\$70)
Fire Protection Fund	\$0	\$19,996	(\$19,996)

**NOTE N - PRIOR PERIOD ADJUSTMENTS**

General Fund

During the year ended March 31, 2003, the Township's truck was involved in an accident. The repairs were completed by March 31, 2003 and the insurance money was received and deposited into the General Fund in February of 2003. A prior period adjustment was made to the accounts payable and fund balance for the repairs in the amount of \$2,625.02.

Painesdale Sewer Fund

In addition, construction in progress was overstated by \$110,742 for engineering fees. As a result, the fixed assets were reduced and the retained earnings adjustments were made to correct the fund balance as of the beginning of the year.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**BALANCE SHEETS**  
**March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash		
Accounts receivable	\$ 304,967	\$ 319,809
Taxes receivable	163	163
Inventory	13,772	13,480
Due from other funds	424	424
Prepaid expenses	202,143	142,568
	7,046	7,887
TOTAL ASSETS	<u>\$ 528,515</u>	<u>\$ 484,331</u>
LIABILITIES:		
Accounts payable		
Due to other funds	\$ 7,843	\$ 6,881
Accrued expenses	16,594	11,735
Deferred revenue	6,247	5,174
	13,772	13,480
TOTAL LIABILITIES	<u>44,456</u>	<u>37,270</u>
FUND EQUITY	<u>484,059</u>	<u>447,061</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 528,515</u>	<u>\$ 484,331</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Years Ended March 31, 2004 and 2003**

	2004	2003
REVENUES:		
TAXES:		
Current property taxes	\$ 35,092	\$ 28,901
Special assessment - street lights	8,124	6,936
Yield tax	843	-
Special assessment - fire dept.	-	-
Special assessment - Springbrook	-	-
Commercial Forest Reserve (CFR)	689	1,616
Total taxes	44,748	37,453
STATE:		
State shared revenues	140,569	155,575
CHARGES FOR SERVICES:		
Administration and collection fees	14,391	8,709
Cemetery fees	10,885	10,848
Total charges for services	25,276	19,557
INTEREST	2,858	4,050
OTHER:		
Library	3,900	3,195
Refunds	44	-
Franchise fees	11,320	120
Reimbursements	6,988	580
Miscellaneous	11,662	1,852
Contributions and donations	-	2,600
Rentals	2,535	2,250
Total other	36,449	10,597
TOTAL REVENUES	249,900	227,232
EXPENDITURES		
ASSESSOR:		
Tax supplies	1,305	1,424
Contract labor	7,200	7,200
Total assessor	8,505	8,624

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>SUPERVISOR:</b>		
Salaries	5,560	5,560
Supplies	-	-
Printing and publishing	-	-
Travel expenses	27	32
Miscellaneous	50	-
Total supervisor	<u>5,637</u>	<u>5,592</u>
<b>CLERK:</b>		
Salaries	5,965	6,229
Office supplies	1,040	314
Printing and publishing	-	-
Travel expenses	60	-
Miscellaneous	-	-
Total clerk	<u>7,065</u>	<u>6,543</u>
<b>TREASURER/ACCOUNTING:</b>		
Salaries	16,495	12,423
Supplies	1,597	1,371
Printing and publishing	-	328
Travel expenses	329	336
Miscellaneous	-	-
Total treasurer/accounting	<u>18,421</u>	<u>14,458</u>
<b>GENERAL SERVICES:</b>		
Professional services	9,840	11,379
<b>TOWNSHIP BOARD:</b>		
Salaries	1,680	1,680
Supplies	1,507	1,509
Printing and publishing	4,467	506
Travel expenses	-	-
Professional services	(710)	97
Contract labor	310	324
Community promotion	338	913
Miscellaneous	574	688
Total township board	<u>8,166</u>	<u>5,717</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2004 and 2003**

	2004	2003
CEMETERY:		
Salaries	\$ 8,860	\$ 4,272
Supplies	2,355	2,596
Utilities	124	125
Repairs and maintenance	-	-
Contract labor	2,150	7,690
Capital outlay	-	-
Miscellaneous	11	-
Total cemetery	13,500	14,683
PUBLIC WORKS:		
Supplies	1,816	2,446
Utilities	27,800	24,277
Travel expenses	-	20
Repairs and maintenance	-	-
Contract labor	4,391	9,453
Paving roads	-	-
Oiling roads	-	918
Miscellaneous	416	-
Spring Brook Road	-	311
Total public works	34,423	37,425
OTHER ACTIVITIES:		
Payroll taxes	4,414	4,182
Employee benefits	3,939	4,259
Insurance	14,793	10,518
Board of Review	288	270
Miscellaneous	136	107
Interest expense	18	-
Total other activities	23,588	19,336
RECREATION:		
Supplies	-	266
Utilities	3,678	1,159
Professional services	-	1,044
Contract labor	2,335	-
Miscellaneous	-	-
Total recreation	6,013	2,469

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
LIBRARY:		
Salaries		
Supplies	3,339	3,276
Utilities	28	179
Miscellaneous	3,181	3,847
	-	-
Total library	<u>6,548</u>	<u>7,302</u>
CONSTABLE:		
Salaries		
	910	770
ELECTIONS:		
Salaries		
Supplies	-	3,484
Printing and publishing	90	547
Contract labor	-	78
Miscellaneous	-	600
	-	-
Total elections	<u>90</u>	<u>4,709</u>
MAINTENANCE BUILDING:		
Salaries		
Supplies	9,659	8,104
Utilities	9,724	3,934
Contract labor	7,181	13,687
Capital outlay	15,268	2,238
Miscellaneous	10,332	5,585
	-	-
Total maintenance building	<u>52,164</u>	<u>33,548</u>
FIRE PROTECTION:		
Supplies		
Utilities	5,971	6,204
Repairs and maintenance	5,445	5,184
Capital outlay	1,498	304
Miscellaneous	-	-
	140	-
Total fire protection	<u>13,054</u>	<u>11,692</u>
TOTAL EXPENDITURES	<u>207,924</u>	<u>184,247</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>41,976</u>	<u>42,985</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
OTHER FINANCING USES:		
Transfer in (out)	4,977	-
EXCESS (DEFICIENCY) OF REVENUES AND OVER EXPENDITURES AND OTHER FINANCING USES	36,999	42,985
FUND BALANCE, BEGINNING OF YEAR	447,060	404,075
FUND BALANCE, END OF YEAR	<u>\$ 484,059</u>	<u>\$ 447,060</u>



**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**BALANCE SHEETS**  
**March 31, 2004**

	<u>2004</u>	<u>2003</u>
ASSETS:		
Taxes receivable	\$ 4,252	\$ 2,724
Due from other funds	4,700	3,568
TOTAL ASSETS	<u>\$ 8,952</u>	<u>\$ 6,292</u>
LIABILITIES:		
Deferred revenue	<u>\$ 4,252</u>	<u>\$ 2,724</u>
FUND EQUITY:		
Fund balance	4,700	3,568
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 8,952</u>	<u>\$ 6,292</u>

**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Year Ended March 31, 2004**

	<u>2004</u>	<u>2003</u>
REVENUES:		
Taxes	\$ 21,128	\$ 11,412
EXPENDITURES:		
Supplies	-	3,691
Capital outlay	19,996	17,302
TOTAL EXPENDITURES	<u>19,996</u>	<u>20,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,132	(9,581)
FUND BALANCE, BEGINNING OF YEAR	3,568	13,149
FUND BALANCE, END OF YEAR	<u>\$ 4,700</u>	<u>\$ 3,568</u>

**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS - ALL ENTERPRISE FUNDS**

Year Ended March 31, 2004

With Comparative Totals for Year Ended March 31, 2003

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	2004	2003
							TOTAL (Memorandum Only)	
<b>ASSETS:</b>								
Current assets:								
Cash	\$ 65,759	\$ 205,700	\$ 84,343	\$ 9,498	\$ 114,181	\$ 67,695	\$ 547,176	\$ 470,956
Accounts receivable:								
Charges for services	-	-	-	5,956	21,602	17,186	44,744	51,756
Retiree insurance	-	-	-	-	808	-	808	60
Special assessment	6,102	2,289	7,705	-	-	1,557	17,653	15,618
Inventory	-	-	-	562	1,334	4,050	5,946	5,946
Due from other funds	-	-	8,063	-	10,701	11,395	30,159	19,250
Prepaid expenses	-	-	-	62	-	-	62	112
Prepaid insurance	-	-	-	-	7,755	5,674	13,429	16,254
Total current assets	71,861	207,989	100,111	16,078	156,381	107,557	659,977	579,952
Restricted assets:								
Cash	-	-	-	162,711	511,126	74,241	748,078	729,416
General fixed assets:								
Land and land improvements	-	68,761	-	2,000	22,503	39,941	133,205	88,205
Utility plant and equipment	-	3,810,076	-	3,687,721	2,629,968	1,581,879	11,709,644	7,857,232
Capitalized engineer studies	-	-	-	-	-	80,909	80,909	80,909
Accumulated depreciation	-	(39,996)	-	(701,974)	(1,189,939)	(635,006)	(2,566,915)	(2,330,295)
Construction in process	-	-	-	-	-	-	-	3,804,327
Total general fixed assets	-	3,838,841	-	2,987,747	1,462,532	1,067,723	9,356,843	9,500,378
<b>TOTAL ASSETS</b>	<b>\$ 71,861</b>	<b>\$ 4,046,830</b>	<b>\$ 100,111</b>	<b>\$ 3,166,536</b>	<b>\$ 2,130,039</b>	<b>\$ 1,249,521</b>	<b>\$10,764,898</b>	<b>\$10,809,746</b>

<b>LIABILITIES:</b>								
Current liabilities:								
Accounts payable	\$ -	\$ 7,189	\$ 8,063	\$ 347	\$ 5,837	\$ 12,053	\$ 33,489	\$ 23,943
Due to other funds	-	81,618	94,113	18,750	-	16,153	210,634	157,909
Current maturities on bond payable	-	9,000	-	5,000	12,000	-	26,000	26,000
Accrued expenses	-	-	-	-	26,284	1,736	28,020	25,607
Deferred revenue	-	-	-	-	-	1,557	1,557	1,557
Total current liabilities	-	97,807	102,176	24,097	44,121	31,499	299,700	235,016

**Long-term liabilities:**  
Bonds payable - net of current maturities

Bonds payable - net of current maturities

**TOTAL LIABILITIES**

-	988,807	102,176	648,097	1,252,121	31,499	3,022,700	2,984,327
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**FUND EQUITY:**

Contributed capital	-	2,896,643	-	2,453,840	100,840	334,288	5,785,611	5,916,364
Retained earnings:								
Reserved	71,861	161,380	(2,065)	-	1,334	364,777	597,287	570,951
Unreserved	-	-	-	64,599	775,744	518,957	1,359,300	1,338,415

## TOTAL FUND EQUITY

71,861	3,058,023	(2,065)	2,518,439	877,918	1,218,022	7,742,198	7,825,730
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## TOTAL LIABILITIES AND FUND EQUITY

\$	71,861	\$	4,046,830	\$	100,111	\$	3,166,536	\$	2,130,039	\$	1,249,521	\$	10,764,898	\$	10,809,746
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**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS**

Year Ended March 31, 2004

With Comparative Totals for Year Ended March 31, 2003

	Painesdale				Atlantic	Wholesale	TOTALS	
	Baltic Sewer	Sewer	Trimountain	Sewer	Sewer	Water	(Memorandum Only)	
							2004	2003
<b>OPERATING REVENUES:</b>								
Charges for services	\$ 9,360	\$ 20,600	\$ 12,680	\$ 70,992	\$ 279,825	\$ 132,993	\$ 483,810	\$ 477,326
Special assessment	-	33,648	-	-	-	-	42,640	21,770
Special assessment - operation & maintenance	-	53,878	-	-	-	-	33,648	35,510
Special assessment - debt retirement	-	-	-	-	-	-	53,878	54,008
Other	-	-	-	4,806	-	292	5,098	22,098
<b>TOTAL OPERATING REVENUES</b>	<b>9,360</b>	<b>108,126</b>	<b>12,680</b>	<b>75,798</b>	<b>279,825</b>	<b>133,285</b>	<b>619,074</b>	<b>610,712</b>
<b>EXPENSES:</b>								
Rentals	-	-	-	-	-	-	-	-
Salaries	-	-	-	1,134	36,375	40,605	78,114	77,713
Fees	-	-	-	-	775	-	775	1,440
Payroll taxes	-	-	-	146	3,890	4,086	8,122	8,045
Employee benefits	-	-	-	-	19,836	-	19,836	21,778
Supplies	-	3,638	-	2,601	10,170	23,073	39,482	38,543
Office supplies	-	-	-	-	25	3,531	3,556	3,156
Utilities	-	1,175	-	4,652	45,267	44,810	95,904	91,722
Printing and publishing	-	-	-	-	-	-	-	-
Insurance	-	200	-	1,343	15,477	12,742	29,762	18,832
Travel expenses	-	-	-	-	390	144	534	493
Repairs and maintenance	-	-	-	4,243	2,517	2,183	8,943	18,486
Professional services	-	-	-	1,649	1,500	1,510	4,659	1,642
Contract labor	-	-	-	6,892	-	525	7,417	8,017
Depreciation	-	39,777	-	104,768	56,202	35,872	236,619	204,358
Refunds	-	-	1,760	-	-	-	1,760	-
Capital outlay	-	-	-	-	-	-	-	-
Miscellaneous	48	460	71	144	9	1	733	393
Engineering services	-	-	52,242	-	-	-	52,242	30,354
Professional Services	-	200	-	-	-	-	200	210
Contract Labor	-	-	-	-	-	-	-	-
Printing & Publishing	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>48</b>	<b>45,450</b>	<b>54,073</b>	<b>127,572</b>	<b>192,433</b>	<b>169,082</b>	<b>588,658</b>	<b>525,182</b>
<b>OPERATING INCOME (LOSS)</b>	<b>9,312</b>	<b>62,676</b>	<b>(41,393)</b>	<b>(51,774)</b>	<b>87,392</b>	<b>(35,797)</b>	<b>30,416</b>	<b>85,530</b>



**TOWNSHIP OF ADAMS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**ALL ENTERPRISE FUNDS**

Year Ended March 31, 2004

With Comparative Totals for Year Ended March 31, 2003

	TOTALS					
	(Memorandum Only)					
	2004	2003				
RECONCILIATION OF OPERATING						
INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)						
Adjustments to Reconcile Operating						
Income to Net Cash Provided by Operating Activities:						
Depreciation						
Transfer In (Out)						
(Increase) Decrease in accounts receivable						
(Increase) Decrease in prepaid expenses						
(Increase) Decrease in due from other funds						
Increase (Decrease) in accounts payable						
Increase (Decrease) in retainage payable						
Increase (Decrease) in due to other funds						
Increase (Decrease) in accrued expenses						
Increase (Decrease) in deferred revenue						
NET CASH PROVIDED BY OPERATING ACTIVITIES						
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Grant income						
Bond proceeds						
Reductions of long-term debt						
Interest paid on long-term debt						
Purchase of fixed assets						
NET CASH FLOWS FROM CAPITAL AND RELATED						
FINANCING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on investments and deposits						
NET CASH FLOWS FROM INVESTING ACTIVITIES						
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH						
CASH AND RESTRICTED CASH, BEGINNING OF YEAR						
CASH AND RESTRICTED CASH, END OF YEAR						

**TOWNSHIP OF ADAMS**  
**BALTIC SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Special assessment	\$ 9,360	\$ 9,280
EXPENSES:		
Miscellaneous	48	48
OPERATING INCOME	9,312	9,232
NON-OPERATING REVENUES (EXPENSES):		
Interest income	292	-
NET INCOME	9,604	9,232
RETAINED EARNINGS, BEGINNING OF YEAR	62,257	53,025
RETAINED EARNINGS, END OF YEAR	<u>\$ 71,861</u>	<u>\$ 62,257</u>



**TOWNSHIP OF ADAMS**  
**PAINESDALE SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Special assessment	\$ 20,600	\$ -
Special assessment - operation & maintenance	33,648	35,510
Special assessment - debt retirement	53,878	54,008
Other	-	16,001
TOTAL OPERATING REVENUES	<u>108,126</u>	<u>105,518</u>
EXPENSES:		
Supplies	3,638	190
Utilities	1,175	446
Insurance	200	150
Depreciation	39,777	152
Miscellaneous	460	177
Professional Services	200	210
Contract Labor	-	-
Printing & Publishing	-	-
TOTAL EXPENSES	<u>45,450</u>	<u>1,325</u>
OPERATING INCOME	62,676	104,193
NON-OPERATING REVENUES (EXPENSES):		
Grant revenue	-	-
Interest income	1,451	135
Interest expense	(40,703)	(39,921)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(39,252)</u>	<u>(39,786)</u>
NET INCOME(LOSS)	23,424	64,407
RETAINED EARNINGS, BEGINNING OF YEAR	103,599	39,192
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	34,357	
RETAINED EARNINGS, END OF YEAR	<u>\$ 161,380</u>	<u>\$ 103,599</u>

**TOWNSHIP OF ADAMS**  
**TRIMOUNTAIN SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Special assessment	\$ 12,680	\$ 12,490
EXPENSES:		
Refunds	1,760	.
Miscellaneous	71	48
Engineering services	52,242	30,354
TOTAL EXPENSES	<u>54,073</u>	<u>30,402</u>
OPERATING INCOME(LOSS)	(41,393)	(17,912)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	342	.
NET INCOME(LOSS)	(41,051)	(17,912)
RETAINED EARNINGS, BEGINNING OF YEAR	38,986	56,898
RETAINED EARNINGS(DEFICIT), END OF YEAR	<u>\$ (2,065)</u>	<u>\$ 38,986</u>

**TOWNSHIP OF ADAMS**  
**ATLANTIC MINE SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services	\$ 70,992	\$ 69,577
Other	4,806	4,587
TOTAL OPERATING REVENUES	<u>75,798</u>	<u>74,164</u>
EXPENSES:		
Salaries	1,134	4,037
Payroll taxes	146	434
Supplies	2,601	2,444
Utilities	4,652	3,850
Insurance	1,343	1,281
Repairs and maintenance	4,243	7,521
Professional services	1,649	114
Contract labor	6,892	5,446
Depreciation	104,768	104,768
Capital outlay	-	-
Miscellaneous	144	96
TOTAL EXPENSES	<u>127,572</u>	<u>129,991</u>
OPERATING INCOME(LOSS)	(51,774)	(55,827)
NON-OPERATING REVENUES (EXPENSES):		
Transfer in (out)	4,977	-
Interest income	639	405
Interest expense	(28,418)	(28,643)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(22,802)</u>	<u>(28,238)</u>
NET INCOME(LOSS)	(74,576)	(84,065)
RETAINED EARNINGS, BEGINNING OF YEAR	53,236	51,362
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	85,939	85,939
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 64,599</u></u>	<u><u>\$ 53,236</u></u>

**TOWNSHIP OF ADAMS**  
**WHOLESALE WATER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2004 and 2003**

	2004	2003
OPERATING REVENUES:		
Charges for services	\$ 279,825	\$ 265,619
Other	-	260
TOTAL OPERATING REVENUES	279,825	265,879
EXPENSES:		
Rentals	-	-
Salaries	36,375	32,366
Fees	775	1,440
Payroll taxes	3,890	3,313
Employee benefits	19,836	20,436
Supplies	10,170	13,963
Office supplies	25	185
Utilities	45,267	37,840
Insurance	15,477	8,210
Travel expenses	390	458
Repairs and maintenance	2,517	1,335
Professional services	1,500	1,460
Contract labor	-	-
Depreciation	56,202	65,295
Capital outlay	-	-
Miscellaneous	9	19
TOTAL EXPENSES	192,433	186,320
OPERATING INCOME	87,392	79,559
NON-OPERATING REVENUES (EXPENSES):		
Transfer in (out)	-	-
Interest income	4,613	14,678
Interest expense	(72,812)	(76,809)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(68,199)	(62,131)
NET INCOME (LOSS)	19,193	17,428
RETAINED EARNINGS, BEGINNING OF YEAR	754,979	723,801
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	2,906	13,750
RETAINED EARNINGS, END OF YEAR	\$ 777,078	\$ 754,979

**TOWNSHIP OF ADAMS**  
**RETAIL WATER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services	\$ 132,993	\$ 142,130
Other	292	1,251
TOTAL OPERATING REVENUES	<u>133,285</u>	<u>143,381</u>
EXPENSES:		
Salaries	40,605	41,310
Payroll taxes	4,086	4,298
Employee benefits	-	1,342
Supplies	23,073	21,946
Office supplies	3,531	2,971
Utilities	44,810	49,586
Printing and publishing	-	-
Insurance	12,742	9,191
Travel expenses	144	35
Repairs and maintenance	2,183	9,630
Professional services	1,510	68
Contract labor	525	2,574
Depreciation	35,872	34,143
Capital outlay	-	-
Miscellaneous	1	-
TOTAL EXPENSES	<u>169,082</u>	<u>177,094</u>
OPERATING INCOME(LOSS)	(35,797)	(33,713)
NON-OPERATING REVENUES (EXPENSES):		
Transfer in (out)	-	-
Interest income	2,272	3,617
Interest expense	-	(4,060)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,272</u>	<u>(443)</u>
NET INCOME(LOSS)	(33,525)	(34,156)
RETAINED EARNINGS, BEGINNING OF YEAR	896,307	909,511
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	20,952	20,952
RETAINED EARNINGS, END OF YEAR	<u>\$ 883,734</u>	<u>\$ 896,307</u>

**TOWNSHIP OF ADAMS**  
**TRUST AND AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended March 31, 2004**

**TAX COLLECTION FUND**

	Balance 3/31/03	Additions	Deductions	Balance 3/31/04
ASSETS:				
Cash	\$ 47	\$ 866,387	\$ 866,320	\$ 114
<b>TOTAL ASSETS</b>	<b>\$ 47</b>	<b>\$ 866,387</b>	<b>\$ 866,320</b>	<b>\$ 114</b>
LIABILITIES:				
Due to General Fund	\$ 47	\$ 42,840	\$ 42,773	\$ 114
Due to Retail Water Fund	0	12,238	12,238	0
Due to Fire Protection Fund	0	19,040	19,040	0
Due to Debt Retirement Fund	0	5,000	5,000	0
Due to other governmental units	0	761,758	761,758	0
<b>TOTAL LIABILITIES</b>	<b>\$ 47</b>	<b>\$ 840,876</b>	<b>\$ 840,809</b>	<b>\$ 114</b>

**DELINQUENT TAX COLLECTION FUND**

	Balance 3/31/03	Additions	Deductions	Balance 3/31/04
ASSETS:				
Cash	\$ 1,053	\$ 142,410	\$ 122,862	\$ 20,601
<b>TOTAL ASSETS</b>	<b>\$ 1,053</b>	<b>\$ 142,410</b>	<b>\$ 122,862</b>	<b>\$ 20,601</b>
LIABILITIES:				
Due to General Fund	\$ 207	\$ 8,672	\$ 6,591	\$ 2,288
Due to Retail Water Fund	0	337	292	45
Due to Fire Protection Fund	0	14	14	0
Due to other governmental units	846	133,387	115,965	18,268
<b>TOTAL LIABILITIES</b>	<b>\$ 1,053</b>	<b>\$ 142,410</b>	<b>\$ 122,862</b>	<b>\$ 20,601</b>

**TOTAL FUNDS**

	Balance 3/31/03	Additions	Deductions	Balance 3/31/04
ASSETS:				
Cash	\$ 1,100	\$ 1,008,797	\$ 989,182	\$ 20,715
<b>TOTAL ASSETS</b>	<b>\$ 1,100</b>	<b>\$ 1,008,797</b>	<b>\$ 989,182</b>	<b>\$ 20,715</b>
LIABILITIES:				
Due to General Fund	\$ 254	\$ 51,512	\$ 49,364	\$ 2,402
Due to Retail Water Fund	0	12,575	12,530	45
Due to Fire Protection Fund	0	19,054	19,054	0
Due to Debt Retirement Fund	0	5,000	5,000	0
Due to other governmental units	846	895,145	877,723	18,268
<b>TOTAL LIABILITIES</b>	<b>\$ 1,100</b>	<b>\$ 983,286</b>	<b>\$ 963,671</b>	<b>\$ 20,715</b>

**TOWNSHIP OF ADAMS**  
**GENERAL LONG-TERM DEBT ACCOUNT GROUP**  
**STATEMENT OF LONG-TERM DEBT**  
**March 31, 2004**

AMOUNT TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT:

Amounts to be provided by future tax levies and charges for services	<u>\$ 66,636</u>
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TOTAL AMOUNTS AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF LONG-TERM DEBT	<u>\$ 66,636</u>
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LONG-TERM DEBT:

Accumulated and unpaid vacation/sick pay benefits	\$ 6,636
Bonds payable	<u>60,000</u>

TOTAL LONG-TERM DEBT PAYABLE	<u>\$ 66,636</u>
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Bruce A Rukkila, CPA, PC

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### LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the general purpose financial statements of the Township of Adams, for the year ended March 31, 2004, and have issued our report thereon dated May 27, 2004. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by generally accepted auditing standards.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

#### Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund - Constable	\$840	\$910	(\$70)
Fire Protection Fund	\$0	\$19,996	(\$19,996)

We recommend that timely revisions be made to the budget so that these over expenditures do not occur in the future.



Insured Deposits

We noted that approximately sixty-eight percent (84%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to increase the percent of deposits insured and to decrease the risk of loss to the Township.

Bank Accounts

It was noted that bank accounts opened and closed during the year were not authorized in the board minutes. All opening and closing of bank accounts must be approved and noted in the minutes.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

*Bruce A. Rukhila, CPA, PC*

Certified Public Accountants

May 27, 2004